

## **APPENDIX A: GLOSSARY**

Note: References to sections of this text are provided in parentheses at the end of each definition.

ACTUAL COST <i>FAR 31.001</i>	Amounts determined on the basis of costs incurred, as distinguished from forecasted costs. Actual costs include standard costs properly adjusted for applicable variances.
ACQUISITION	The acquiring by contract, with appropriated funds, of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when agency needs are established and includes the description of requirements to satisfy agency needs, solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling agency needs by contract. <sup>1</sup>
AGREEMENT	Negotiated understandings on terms and conditions that will be incorporated in forthcoming contracts between the two parties. By definition, an agreement does not contain all the elements necessary to be considered a contract. See Basic Agreement and Basic Ordering Agreement.
ALLOCABLE COST	A cost is allocable to a Government contract if it— <ul style="list-style-type: none"><li>• Is incurred specifically for the contract;</li><li>• Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or</li><li>• Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.<sup>2</sup></li></ul>
ALLOCATE <i>FAR 31.001</i>	To assign an item of cost, or a group of items of cost, to one or more cost objectives. This term includes both direct assignment of cost and the reassignment of a share from an indirect cost pool.
ALLOCATION BASE	Some measure of direct contractor effort that can be used to allocate pool costs based on benefits accrued by the several cost objectives. Examples of typical bases: <ul style="list-style-type: none"><li>• Direct labor hours</li><li>• Direct labor dollars</li><li>• Number of units produced</li><li>• Number of machine hours.</li></ul>
ALLOWABLE COST	A determination that a cost can be properly charged to a contract. A cost is considered allowable if it is: <ul style="list-style-type: none"><li>• Reasonable,</li><li>• Properly allocated to the contract,</li><li>• Properly accounted for, as prescribed in generally accepted accounting principles or, if applicable, Cost Accounting Standards, <u>and</u></li><li>• NOT otherwise ruled out by FAR Part 31 or by any language in the contract.<sup>3</sup></li></ul>

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<sup>1</sup>See FAR 2.1.

<sup>2</sup>See FAR 31.201-4.

<sup>3</sup>See FAR 31.201-2.

AUCTION	<p>A negotiation tactic prohibited under FAR 15.610. Prohibited auction techniques include:</p> <ul style="list-style-type: none"> <li>• Indicating to an offeror a cost or price that it must meet to obtain further consideration.</li> <li>• Advising an offeror of its price standing relative to another offeror (however, it is permissible to inform an offeror that its cost or price is considered by the Government to be too high or unrealistic).</li> <li>• Otherwise furnishing information about other offerors' prices.<sup>4</sup></li> </ul>
AUDIT <i>FAR 52.215-2</i>	A review of a company's accounting procedures, accounting practices, books, records, documents, and other evidence related to (a) cost or pricing data or (b) costs claimed to have been incurred or anticipated to be incurred in performing a contract.
BASE	See Allocation Base.
BEST AND FINAL OFFER (BAFO) <i>FAR 15.611</i>	In competitive negotiations, proposals prepared by offerors in the competitive range following completion of discussions and receipt of a written request for BAFOs from the contracting officer.
BILL OF MATERIALS	A listing of all the materials, including the part numbers and quantities of all the parts, necessary for the project.
CASH EXPENDITURE	An actual outlay or dollars in exchange for goods and services.
BOARD OF CONTRACT APPEALS (BCA)	An instrumentality of a Federal department or agency which hears contractor appeals of contracting officer decisions on claims arising under or relating to a contract subject to the Contract Disputes Act.
CHANGE ORDER	A written order signed by the contracting officer, directing the contractor to make a change that the Changes clause authorizes the contracting officer to order without the contractor's consent. A change order is an example of a unilateral modification (see Modification). <sup>5</sup>
CLAIM	A written demand or written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to the contract. <sup>6</sup>
CLAUSE <i>FAR 52.101(a)</i>	A term or condition used in contracts or in both solicitations and contracts, and applying after contract award or both before and after award. Clauses state the rights and obligations of the parties to a contract.
COLLUSION	Any consultation, communication, or agreement between two or more offerors or competitors relating to proposed prices, the intention to submit an offer, or the methods or factors used to calculate the prices offered. <sup>7</sup>

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<sup>4</sup>See FAR 15.610(d).

<sup>5</sup>See FAR 43.101.

<sup>6</sup>See FAR 33.201.

<sup>7</sup>See FAR 52.203-2(a)(1).

COMPETITIVE RANGE <i>FAR 15.609 and 15.610</i>	All proposals that the CO determines have a reasonable chance of being selected for award, based on cost or price and other factors that were stated in the solicitation. Unless the CO decides to award without discussions, the CO must conduct written or oral discussion with all responsible offerors who submit proposals within the competitive range.
CONSIDERATION	Anything of value that changes hands between the parties to a contract.
CONTRACT <i>FAR 2.1</i>	A mutually binding legal relationship obligating the seller to furnish supplies or services (including construction) and the buyer to pay for them.
CONTRACT COST (TOTAL) <i>FAR 31.201-1</i>	The sum of the allowable direct and indirect costs allocable to the contract, incurred or to be incurred, less any allocable credits, plus any allocable cost of money pursuant to FAR 31.205-10. In ascertaining what constitutes a cost, any generally accepted method of determining or estimating costs that is equitable and is consistently applied may be used, including standard costs properly adjusted for applicable variances.
CONTRACT COST RISK <i>15.905-1(b)</i>	A profit analysis factor which measures the degree of cost responsibility and associated risk that the prospective contractor will assume (1) as a result of the contract type contemplated and (2) considering the reliability of the cost estimate in relation to the complexity and duration of the contract task.
CONTRACT MODIFICATION <i>FAR 43.101 and 43.103</i>	Any written change in the terms of a contract. Unilateral modifications are signed only by the CO; bilateral by both parties.
CONTRACT SCHEDULE	The complete statement of the requirement in the solicitation, including not only the Statement of Work and Specifications but also the terms and conditions with respect to packaging and marking, inspection and acceptance, deliveries or performance, contract administration data, and other special contract requirements. The Schedule includes Sections A through H of the Uniform Contract Format. <sup>8</sup>
CONTRACT TYPE <i>FAR 16.101</i>  <i>FAR 16.101</i>	(1) The name of the compensation arrangement established by the terms and conditions of the contract, such as Firm Fixed Price, Fixed Price Redeterminable, Cost Plus Award Fee, Cost Plus Fixed Fee, or Cost Plus Incentive Fee. (2) The name of the ordering arrangement established by the terms and conditions of an indefinite delivery contract, such as Definite Quantity, Indefinite Quantity, or Requirements.
CONTRACTING <i>FAR 2.1</i>	The purchasing, renting, leasing, or otherwise obtaining supplies or services from nonfederal sources.
CONTRACTING ACTIVITY <i>FAR 2.1</i>	An element of an agency designated by the agency head and delegated broad authority regarding acquisition functions.

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<sup>8</sup>See FAR 14.201-2, 14.201-9(b), and 15.406-2.

CONTRACTING OFFICER (CO) <i>FAR 2.1</i>	An agent of the Government with authority to enter into, administer, or terminate contracts and make related determinations and findings.
CONTRACTOR EFFORT <i>15.905-1(a)</i>	A profit analysis factor which measures the complexity of the work and the resources required of the prospective contractor for contract performance.
CONTRIBUTION INCOME	The difference between revenue and variable cost. The term contribution income comes from the contribution made to covering fixed costs and profit.
COST	<p>The amount of money expended (outlays) in acquiring supplies or services. The total cost of an acquisition includes:</p> <ul style="list-style-type: none"> <li>• The dollar amount paid to the contractor under the terms and conditions of the contract.</li> <li>• Any direct costs for acquiring the supplies or services not covered in the contract price.</li> <li>• Any cost of ownership not covered in the contract price.</li> <li>• The Government's overhead for awarding and administering the contract.</li> </ul>
COST ACCOUNTING STANDARDS (CAS)	Standards for the measurement, assignment, and allocation of costs to contracts with the United States. These standards are established by the Cost Accounting Standards Board and incorporated in Part 30 of the FAR and FAR Appendix B.
COST ACCOUNTING SYSTEM	The policies, procedures and practices of a business entity for (1) recording, (2) verifying, (3) accumulating, and (4) allocating costs incurred by the entity.
COST ANALYSIS <i>FAR 15.801</i>	The review and evaluation of the separate cost elements and proposed profit of (a) an offeror's or contractor's cost or pricing data and (b) the judgmental factors applied in projecting from the data to the estimated costs in order to form an opinion on the degree to which the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency.
COST DRIVERS	Those aspects of the proposal that if changed would have a major impact on proposed cost. Two of the common cost drivers are delivery terms and technical specifications
COST ESTIMATING RELATIONSHIP (CER)	An established relationship between unit price or some other measure of cost (e.g., the dependent variable) and an independent variable(s).
COST OR PRICING DATA <i>FAR 15.801</i>	All facts as of the date of price agreement that prudent buyers and sellers would reasonably expect to affect price negotiations significantly. Cost or pricing data are factual, not judgmental, and are therefore verifiable. While they do not indicate the accuracy of the prospective contractor's judgment about estimated future costs or projections, they do include the data forming the basis for that judgment. Cost or pricing data are more than historical accounting data; they are all the facts that can be reasonably expected to contribute to the soundness of estimates of future costs and to the validity of determinations of costs already incurred.

COST REALISM ANALYSIS	An analysis of cost proposals from offerors to (1) determine whether proposed costs realistically reflect the effort to accomplish the needed work and (2) estimate the most probable cost of performance if the proposed cost is not realistic
COST REIMBURSEMENT CONTRACTS <i>FAR 16.301-1</i>	Contracts that provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer.
DEBRIEFING	Informing unsuccessful offerors of the basis for the selection decision and contract award. This information includes the Government's evaluation of the significant weak or deficient factors in the offeror's proposal. <sup>9</sup>
DEFECTIVE COST OR PRICING DATA DEFECTIVE COST OR PRICING DATA <i>FAR 15.804-7</i>	Cost or pricing data that are inaccurate, incomplete, or nonconcurrent. <sup>10</sup>  Cost or pricing data are found to be inaccurate, incomplete, or noncurrent as of the date of final agreement on price given on the contractor's or subcontractor's Certificate of Current Cost or Pricing Data
DEPRECIATION <i>FAR 31.205-11(a)</i>	A charge to current operations which distributes the cost of a tangible capital asset, less estimated residual value, over the estimated useful life of the asset in a systematic and logical manner. Useful life refers to the prospective period of economic usefulness in a particular contractor's operations as distinguished from physical life; it is evidenced by the actual or estimated retirement and replacement practice of the contractor.
DIRECT COST <i>FAR 31.202</i>	Any cost that can be identified specifically with a particular final cost objective (see also Labor Costs and Material Costs).
DISCUSSIONS <i>FAR 15.601</i>	Any oral or written communication between the Government and an offeror, (other than communications conducted for the purpose of minor clarification) whether or not initiated by the Government, that (a) involves information essential for determining the acceptability of a proposal, or (b) provides the offeror an opportunity to revise or modify its proposal.
ECONOMIC RISK	The probability of regaining one's money with a reasonable profit from an investment versus not making a profit, or, even worse, losing the investment. The higher the risk of an investment, i.e., the higher the probability of losing the investment, the higher the potential profit must be in order to persuade an investor to take the risk.

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<sup>9</sup>See FAR 15.1003.

<sup>10</sup>See FAR 15.804-7.

ELEMENTS OF A CONTRACT	<p>Elements that must be present in a contract if the contract is to be binding. These include:</p> <ul style="list-style-type: none"> <li>• An offer.</li> <li>• Acceptance.</li> <li>• Consideration.</li> <li>• Execution by competent parties.</li> <li>• Legality of purpose.</li> <li>• Clear terms and conditions.</li> </ul>
ESTIMATING COSTS <i>FAR 31.001</i>	The process of forecasting a future result in terms of cost, based upon information available at the time.
EVALUATED PRICE	The price of an offer after application of price-related factors in the solicitation. Similarly, contracting officers must determine the "evaluated total estimated cost" of Best and Final Offers in competitive procurements of cost reimbursable contracts.
EVALUATION FACTORS <i>FAR 15.605</i>	Factors in selecting an offer for award.
EXPRESSLY UNALLOWABLE COST	A particular item or type of cost which, under the express provisions of an applicable law, regulation, or contract, is specifically named and stated to be unallowable.
FACTFINDING	The process of identifying and obtaining information necessary to complete the evaluation of proposals. This may include factfinding sessions with offerors as provided in FAR 15.807a.
FAIR PRICE (see also REASONABLE PRICE)	<p>From the perspective of a buyer, a fair price is a price that is in line with (or below) the fair market value of the contract deliverable (to the extent that fair market value can be approximated through price analysis). "Fair market value" is the price you <b>should</b> expect to pay, given the prices of bona fide sales between informed buyers and informed sellers under like market conditions in competitive markets for deliverables of like type, quality, and quantity.</p> <p>When data on probable performance costs are available, a separate test of "fairness" is whether the proposed price is in line with (or below) the total allowable cost of providing the contract deliverable that would be incurred by a well managed, responsible firm using reasonably efficient and economical methods of performance + a reasonable profit.</p> <p>From the perspective of a seller, a fair price is a price that is realistic in terms of the seller's ability to satisfy the terms and conditions of the contract.</p>
FEDERAL ACQUISITION REGULATION (FAR)	Uniform policies and procedures for acquisition by executive agencies. The FAR is jointly prescribed, prepared, issued and maintained by the Department of Defense, the General Services Administration, and the National Aeronautics and Space Administration.
FEE OR PROFIT <i>FAR 15.901(a)</i>	Money paid to a contractor over and above total reimbursements for allowable costs.

FIXED COST	Costs that remain constant as volume varies in the relevant range of production. Examples: fire insurance, depreciation, facility rent, and property taxes.
FIXED PRICE CONTRACT <i>FAR 16.201</i>	A contract that establishes a firm price or, in appropriate cases, an adjustable price. Fixed-price contracts providing for an adjustable price may include a ceiling price, a target price (including target cost), or both. Unless otherwise specified in the contract, the ceiling price or target price is subject to adjustment only by operation of contract clauses providing for equitable adjustment or other revision of the contract price under stated circumstances.
FIRM FIXED PRICE CONTRACT <i>FAR 16.202-1</i>	A contract that establishes a price not subject to any adjustment on the basis of the contractor's cost experience in performing the contract.
FIXED PRICE CONTRACT	A contract that establishes a firm price or, in appropriate cases, an adjustable price. Fixed-price contracts providing for an adjustable price may include a ceiling price, a target price (including target cost), or both. Unless otherwise specified in the contract, the ceiling price or target price is subject to adjustment only by operation of contract clauses providing for equitable adjustment or other revision of the contract price under stated circumstances. See also Firm Fixed Price contracts. <sup>11</sup>
FRAUD	A felonious act of corruption, or an attempt to cheat the Government or corrupt its agents.
FULL AND OPEN COMPETITION (FAOC)	Acquisitions in which all responsible sources are permitted to compete (although some sources may be excluded as provided in FAR. <sup>12</sup>
GENERAL ACCOUNTING OFFICE (GAO)	An office within the legislative branch that serves as "the watchdog for the Congress." Among other things, the GAO audits agency programs and management and makes recommendations on protests.
GENERAL AND ADMINISTRATIVE (G&A) EXPENSE <i>FAR 31.001</i>	Any management, financial, and other expense which is incurred by or allocated to a business unit and which is for the general management and administration of the business unit as a whole. G&A expense does not include those management expenses whose beneficial or causal relationship to cost objectives can be more directly measured by a base other than a cost input base representing the total activity of a business unit during a cost accounting period.
GOVERNMENT PROPERTY <i>FAR 45.101</i>	All property owned by or leased to the Government or acquired by the Government under the terms of the contract. It includes both (1) Government-furnished property and (2) property acquired or otherwise provided by the contractor for performing a contract and to which the Government has title.
GOVERNMENT FURNISHED PROPERTY <i>FAR 45.101</i>	Property in the possession of, or directly acquired by, the Government and subsequently made available to the contractor.

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<sup>11</sup>See FAR 16.201.

<sup>12</sup>See FAR 6.003.



IMPROVEMENT CURVE	A technique for estimating recurring resource requirements in operations that are performed repetitively. Improvement curves can be used to estimate direct labor hours, units of material required, or the cost of subcontracted items. Unit improvement curves are based on the theory that, as <i>the total volume of units produced doubles, the cost per unit decreases by some constant percentage</i> . Cumulative average improvement curves are based on the theory that, as <i>the total volume of units produced doubles, the <b>average</b> cost per unit decreases by some constant percentage</i> .
INDEFINITE DELIVERY CONTRACT	A type of contract used when the exact times and/or quantities of future deliveries are not known at the time of contract award. <sup>13</sup>
INDIRECT COST <i>FAR 31.203</i>	Any cost not directly identified with a single, final cost objective, but identified with two or more final cost objectives or an intermediate cost objective.
INDIRECT COST POOLS <i>FAR 31.001</i>	Groupings of incurred indirect costs.
INDIRECT COST RATE <i>FAR 42.701</i>	The percentage or dollar factor that expresses the ratio of indirect expense incurred in a given period to direct labor cost, manufacturing cost, or another appropriate base for the same period.
INVESTMENT RISK	The probability of recovering the money invested in plant or equipment.
LABOR COSTS  <i>(i.e., compensation for personal services)</i>  <i>FAR 31.205-6</i>	All remuneration paid currently or accrued, in whatever form and whether paid immediately or deferred, for services rendered by employees to the contractor during the period of contract performance... It includes, but is not limited to, salaries; wages; bonuses (including stock bonuses); incentive awards; employee stock options, stock appreciation rights, and stock ownership plans; employee insurance; fringe benefits; incentive pay, location allowances, hardship pay, severance pay, and cost of living differential.
LABOR LOADING SCHEDULE	A schedule of labor hours to be employed in contract performance, organized by time period and class of labor.
LIMITED OR PARTIAL DATA	Any uncertified data requested from offerors to support proposed prices.
MARKET RESEARCH <i>FAR 10.001</i>	Collecting and analyzing information about the entire market available to satisfy minimum agency needs to arrive at the most suitable approach to acquiring, distributing, and supporting supplies and services.
MATERIAL COSTS <i>FAR 31.205-26</i>	These include the costs of such items as raw materials, parts, sub-assemblies, components, and manufacturing supplies, whether purchased or manufactured by the contractor, and may include such collateral items as inbound transportation and intransit insurance. In computing material costs, consideration shall be given to reasonable overruns, spoilage, or defective work (unless otherwise provided in any contract provision relating to inspecting and correcting defective work).

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<sup>13</sup>See FAR 16.501(a).

METHOD OF PROCUREMENT	<p>The process employed for soliciting offers, evaluating offers, and awarding a contract . In Federal contracting, contracting officers use one of the following methods for any given acquisition:</p> <ul style="list-style-type: none"> <li>• Small Purchase</li> <li>• Sealed Bidding</li> <li>• Negotiation</li> <li>• Two-Step Sealed Bidding</li> </ul>
MOVING AVERAGE	<p>(1) An estimating technique. In a simple moving average, data collected over two or more time periods is summed and divided by the number of time periods. That number then becomes an estimate for future time periods. As data from a new time period is added, data from the earliest time period is dropped from the average. For example, a 12-month moving average uses data from the most recent 12 months. A 6-month moving average uses data from the last 6 months. (2) An inventory costing method under which an average unit cost is computed after each acquisition by adding the cost of the newly acquired units to the cost of the units of inventory on hand and dividing this figure by the new total number of units.</p>
<p><i>FAR 31.001</i></p> <p>NEGOTIATION</p> <p><i>FAR 15.102</i></p>	<p>(1) A bargaining process between two or more parties seeking to reach a mutually satisfactory agreement or settlement on a matter of common concern. (2) A method of procurement prescribed in Part 15 of the FAR that includes the receipt of proposals from offerors, permits bargaining, and usually affords offerors an opportunity to revise their offers before award of a contract. Bargaining—in the sense of discussion, persuasion, alteration of initial assumptions and positions, and give-and-take—may apply to price, schedule, technical requirements, type of contract, or other terms of a proposed contract.</p>
<p>OTHER DIRECT COSTS</p> <p><i>FAR Table 15-2</i></p>	<p>Costs other than direct labor, direct materials, and indirect costs. Examples include special tooling, travel, computer and consultant services, preservation, packaging and packing, spoilage and rework, and Federal excise tax on finished articles.</p>
OFFER	<p>A legally binding promise, made by one party to another, to enter into a contractual agreement, if the offer is accepted. In sealed bidding, offers made in response to Invitations To Bids (IFBs) are called “bids.” In negotiated acquisitions, offers made in response to a Request for Proposals (RFP) are called “proposals.”<sup>14</sup></p>
OPTION	<p>A unilateral right in a contract by which, for a specified time, the Government may elect to purchase additional supplies or services called for by the contract, or may elect to extend the term of the contract.<sup>15</sup></p>
OVERHEAD	<p>(See Indirect Cost).</p>
PERFORMANCE RISK	<p>Potential difficulty in successfully performing the work required by the contract. If the work is difficult and requires greater effort to accomplish with a relatively high risk of failure or defective units being produced, then this risk will be weighed and reflected in a higher estimated cost.</p>
POOL	<p>See Indirect Cost Pools</p>

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<sup>14</sup>See FAR 2.1.

<sup>15</sup>See FAR 17.201.

PRENEGOTIATION REVIEW	Meeting between contracting officer, supervisor, and, sometimes, other Government representatives before negotiating with offerors. Purposes include corroborating price objectives, eliciting management guidance, and obtaining approval to proceed.
PRICE <i>FAR 15.801</i>	(1) A monetary amount given, received, or asked for in exchange for supplies or services. (2) Cost plus any fee or profit applicable to the contract type.
PRICE ANALYSIS <i>FAR 15.801</i>	The process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit.
PRICE-RELATED FACTOR <i>FAR 14.201-8</i>	When evaluating offers for award, any factor applied in identifying that offer which would represent the lowest total cost to the Government.
PRICE NEGOTIATION MEMORANDUM	The document that tells the story of the negotiation. It is the document that establishes the reasonableness of the agreement reached with the successful offeror. It is also the permanent record of the decisions the negotiator made in establishing that the price was fair and reasonable. Called the PNM. <sup>16</sup>
PROCUREMENT HISTORY	Contract files that include proposals from or awards to the offeror, regardless of the project or program supported by the contract.
PRODUCER PRICE INDEXES (PPI)	Indexes published monthly by the US Department of Labor, Bureau of Labor Statistics (BLS). The indexes report monthly changes in producer/wholesale prices. The PPI is divided into 15 major commodity groups. Each commodity group is broken into subgroups and individual items.
PROFIT	See Fee.
PROGRAM HISTORY	Files on contracts for the same or comparable deliverables.
PROFIT	See Fee.
PROGRESS PAYMENTS <i>FAR 32.102(b)</i>	Payments made under a fixed price contract on the basis either of (1) costs incurred by the contractor as work progresses under the contract or (2) on physical progress in accomplishing the work.
PROPOSAL <i>FAR 31.001</i>	Any offer or other submission used as a basis for pricing a contract, contract modification, or termination settlement or for securing payments thereunder.
PROTEST	A written objection by an interested party to a solicitation, proposed award, or award of a contract. Interested parties include actual or prospective offerors whose direct economic interests would be affected by the award of a contract or by the failure to award a contract. <sup>17</sup>
PURCHASE DESCRIPTION <i>FAR 10.001</i>	Describe the essential physical characteristics or functions required to meet the Government's minimum need.

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<sup>16</sup>See FAR 15.808.

<sup>17</sup>See FAR 33.101.

PURCHASE REQUEST (PR)	A requisition prepared by a requiring activity which (1) describes the supplies or services to be acquired, (2) certifies the availability of funds for the acquisition, and (3) includes other information, clearances, and approvals necessary for the CO to initiate the acquisition.
QUALITY	The extent to which the contract's deliverable satisfies the actual minimum needs of the end users.
QUALITY ASSURANCE (QA)	Functions, including inspection, performed to determine whether a contractor has fulfilled the contract obligations pertaining to quality and quantity. <sup>18</sup>
REASONABLE COST <i>FAR 31.201-3</i>	A cost which, in its nature and amount, does not exceed that which would be incurred by a prudent person in the conduct of competitive business.
REASONABLE PRICE (See also FAIR PRICE)	A price that a prudent and competent buyer would be willing to pay for the contract deliverable, given adequate data on (1) market conditions, (2) alternatives for meeting the requirement, (3) the evaluated price of each alternative, and (4) non-price evaluation factors (in "best value" competitions).
REQUEST FOR PROPOSALS (RFP)	The solicitation in negotiated acquisitions
RESPONSIBLE OFFEROR <i>FAR 9.101</i>	<p>An offeror that meets the general and any special standards established under FAR 9.104. To be determined responsible under the general standards, a prospective contractor must—</p> <ul style="list-style-type: none"> <li>• Have adequate financial resources to perform the contract, or the ability to obtain them;</li> <li>• Be able to comply with the required or proposed delivery or performance schedule, taking into consideration all existing commercial and governmental business commitments;</li> <li>• Have a satisfactory performance record;</li> <li>• Have a satisfactory record of integrity and business ethics;</li> <li>• Have the necessary organization, experience, accounting and operational controls, and technical skills, or the ability to obtain them (including, as appropriate, such elements as production control procedures, property control systems, and quality assurance measures applicable to materials to be produced or services to be performed by the prospective contractor and subcontractors);</li> <li>• Have the necessary production, construction, and technical equipment and facilities, or the ability to obtain them; and</li> <li>• Be otherwise qualified and eligible to receive an award under applicable laws and regulations.</li> </ul>

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<sup>18</sup>See FAR 46.101.

RISK	<p>The probability of not attaining the goals for which the party entered into a contract. For the contractor (seller), the principal business or financial risk is an unexpected loss of money on the contract. For the Government, the principal risks are that:</p> <ul style="list-style-type: none"> <li>• The total cost of the acquisition will be higher than expected or unreasonable in relation to the actual costs of performance.</li> <li>• The contractor will fail to deliver or will not deliver on time.</li> <li>• The final deliverable will not satisfy the Government's actual need, whether or not "acceptable" under the terms and conditions of the contract.</li> <li>• The Government's need will change prior to receipt of the deliverable.</li> </ul>
SEMI-VARIABLE COST	Costs that include both fixed and variable elements.
SERVICE CONTRACT <i>FAR 37.101</i>	A contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply.
SHOULD-COST ANALYSIS	Estimating what the cost of a contract should be, assuming reasonable economy and efficiency.
SHOULD-PAY PRICE	The price that, in the contracting officer's best judgement, the Government should reasonably expect to pay for a deliverable based on the offers, historical prices (if any), commercial prices (if any), yardsticks (if any), and Government estimates (if any).
SINGLE SOURCE	Characterized as one source among others in a competitive marketplace which, for justifiable reasons (e.g., immediate or past experience, or current contractual involvement), is found to be most advantageous for the purpose of contract award. (Sometimes used interchangeably with the term <i>sole source</i> .)
SOCIOECONOMIC OBJECTIVE	Any objective for an acquisition established by statute or by an Executive Order which is in addition to the innate goals (i.e., quality, cost, timeliness, risk, competition, and integrity) of the acquisition process.
SOLE SOURCE ACQUISITION <i>FAR 6.003</i>	A contract for the purchase of supplies or services that is entered into or proposed to be entered into by an agency after soliciting and negotiating with only one source.
SOLICITATION	A document requesting or inviting offerors to submit offers. Solicitations basically consist of (a) a draft contract and (b) provisions on preparing and submitting offers.
SOURCE SELECTION <i>FAR 15.612</i>	<p>The process of soliciting and evaluating offers for award. Formal source selections usually involve the:</p> <ul style="list-style-type: none"> <li>• Establishment of a group (e.g., a Source Selection Board) to evaluate proposals.</li> <li>• Naming of a Source Selection Authority, who might be the CO, the requiring activity manager, or a higher level agency official, depending on the size and importance of the acquisition.</li> <li>• Preparation of a written source selection plan.</li> </ul>

<b>SPECIFICATION</b> <i>FAR 10.001</i>	A description of the technical requirements for a material, product, or service that includes the criteria for determining whether the requirements are met.
<b>STANDARD</b>	A document that establishes engineering and technical limitations and applications of items, materials, processes, methods, designs, and engineering practices; includes any related criteria deemed essential to achieve the highest practical degree of uniformity in materials or products, or the interchangeability of parts used in those products. <sup>19</sup>
<b>STATEMENT OF WORK (SOW)</b>	The complete description of work to be performed under the contract, encompassing all specifications and standards established or referenced in the contract. The SOW constitutes Part C of the Uniform Contract Format.
<b>STRUCTURED BREAKDOWN</b>	A breakdown of the total proposed cost through increasing levels of detail to the most basic element—the work package.
<b>SUBCONTRACT</b> <i>FAR 44.101</i>	Any contract entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract. It includes but is not limited to purchase orders, and changes and modifications to purchase orders.
<b>SUBCONTRACTOR</b> <i>FAR 44.101</i>	Any supplier, distributor, vendor, or firm that furnishes supplies or services to or for a prime contractor or another subcontractor.
<b>SUPPLIES</b> <i>FAR 2.1</i>	All property except land or interest in land, including (but not limited to) public works, buildings, and facilities; ships, floating equipment, and vessels together with parts and accessories; aircraft and aircraft parts, accessories, and equipment; machine tools; and the alteration or installation of any of the foregoing.
<b>TECHNICAL ANALYSIS</b> <i>FAR 15.801</i>	Examination and evaluation by personnel having specialized knowledge, skills, experience, or capability in engineering, science, or management of proposed quantities and kinds of materials, labor, processes, special tooling, facilities, and associated factors set forth in a proposal in order to determine and report on the need for and reasonableness of the proposed resources assuming reasonable economy and efficiency.
<b>TECHNICAL FACTORS</b> <i>FAR 9.104-2 and 15.605</i>	Factors other than price-related used in evaluating offers for award. Examples include technical excellence, management capability, personnel qualifications, prior experience, past performance, and schedule compliance.
<b>TECHNICAL LEVELING AND TRANSFUSION</b>	Negotiation tactics prohibited under FAR 15.610. Technical leveling means helping an offeror to bring its proposal up to the level of other proposals through successive rounds of discussion, such as by pointing out weaknesses resulting from the offeror's lack of diligence, competence, or inventiveness in preparing the proposal. Technical transfusion means disclosing technical information supplied by one offeror (or otherwise pertaining to that offer) to other, competing offerors. <sup>20</sup>
<b>TERMINATION FOR CONVENIENCE</b>	Generally, the exercise of the Government's contractual right to completely or partially terminate a contract for the convenience of the Government. <sup>21</sup>

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<sup>19</sup>See FAR 10.001.

<sup>20</sup>See FAR 15.610(d).

<sup>21</sup>See FAR 49.002.

TERMINATION FOR DEFAULT	Generally, the exercise of the Government's contractual right to completely or partially terminate a contract because of the contractor's actual or anticipated failure to perform its contractual obligations. <sup>22</sup>
TERMS AND CONDITIONS	All language in a solicitation and contract, including amendments, attachments, and referenced clauses and provisions.
TIMELINESS	Delivery of requisitioned supplies to the end user in the quantity and at the time necessary for the end user's purposes, or performance of services at the time necessary for the end user's purposes.
TRUTH IN NEGOTIATION ACT	This Act requires contracting officers to obtain accurate, complete, and current cost or pricing data from contractors. It also provides the Government with a price reduction remedy if a contractor fails to comply. This remedy takes effect when the contractor does NOT submit accurate, complete, and current data for a contract and the Government relied on the "defective data" in determining the contract price. The purpose of the Act is to put the Government on equal footing with contractors when negotiating noncompetitive or sole-source contracts.
UNALLOWABLE COST <i>FAR 31.001</i>	Any cost which, under the provisions of any pertinent law, regulation, or contract, cannot be included in prices, cost-reimbursements, or settlements under a Government contract to which it is allocable.
VARIABLE COST	Costs that remain constant on a per unit basis no matter how many units are made in the relevant range of production. Total variable cost increases as the number of units increases, and vice versa.
UNIFORM CONTRACT FORMAT	A format for preparing solicitations and contracts prescribed in FAR 14.201-1 and 15.406-1.
WEIGHTED GUIDELINES	The DoD structured approaches for determining profit or fee prenegotiation objectives.
WORKING CAPITAL	The money required to finance contract expenses until contract payment is received.
WORK BREAKDOWN STRUCTURE	See STRUCTURED BREAKDOWN
WORK PACKAGE	Detailed short-span tasks identified and controlled in assigning work within the offeror's organization and accomplishing work required to complete a contract. A work package defines the work required by a specific worker or group of workers to accomplish a task.

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<sup>22</sup>See FAR 49.401.

